THE ROUTE TO PROSPERITY:

TRANSPORTATION AND THE WESTERN CANADIAN ECONOMY

Western Canadian economic prosperity is dependent on transportation. Our transportation system – air, marine, rail, trucking, urban transit, oil and gas pipelines, and electricity transmission – moves everything from grain and potash to natural gas and newspapers for trade within provinces and for export to other provinces and countries. Given that the economy provides the means to pay for public programs that in turn impact our quality of life, it is clear that all western Canadians should be interested in a strong economy and, by extension, a strong transportation system.

Inefficiencies in the transportation system translate into added costs for producers and by default, increased costs for consumers and decreased profits to producers. The result is that local, provincial, regional and national prosperity can be hampered by problems related to the transportation network. Simply maintaining the existing transportation system will not address any of its current problems, and certainly, will not alleviate future pressures and demands.

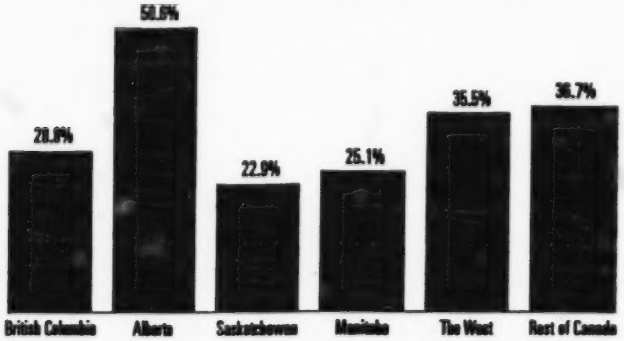
The Route to Prosperity: Transportation and the Western Canadian Economy looks at the West's current transportation system and uses illustrative examples to highlight some of the increased demand that is being placed on the entire system. As well, this report discusses the collective issues facing the transportation system.

THE WESTERN ECONOMY

To understand the factors affecting the demand for transportation services, it helps to look at trends in the western Canadian economy:

- From 1981 to 2000 the average annual growth for internal exports was 2.1% in western Canada.
- From 1981 to 2000 the average annual growth for international exports was 6.4%, and for imports was 6.1%.
- The average annual rate of employment growth in western Canada was 2.6% from 1970 to 2000. Employment growth has been strongest in BC and Alberta, with average annual growth rates of 3.2% and 3.0% over the same period.
- In 2001, the four western provinces observed varied real growth rates. Manitoba's diversified economy allowed it to have low but positive growth, while decreasing commodity prices and smaller crop yields resulted in low economic output in Saskatchewan. Alberta had the highest economic growth of all the provinces. More moderate growth in BC reflected a variety of factors including softwood lumber duties and global economic trends.
- In 2002, Alberta, Saskatchewan and Manitoba had unemployment rates near 5%. BC's rate was 8.5%.
- In 2002, GDP growth for western Canada was forecast at 2.8%. In 2003, GDP growth is forecast at 3.4%.

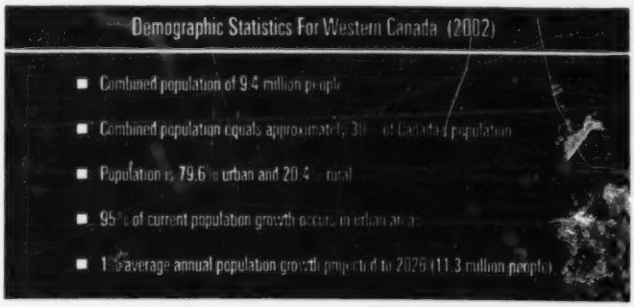
Real Gross Domestic Product Growth (% Change Between 1991 and 2001)



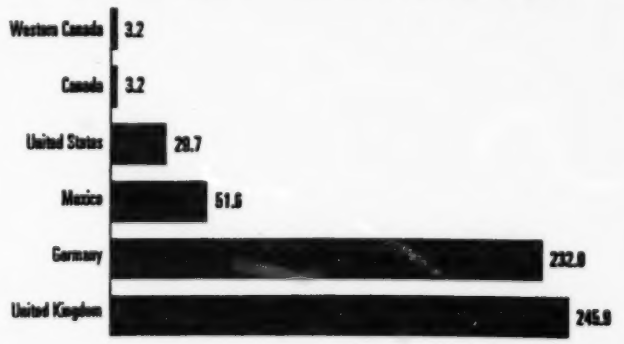
REGIONAL DEMOGRAPHICS

Demographics and the relative dispersion of the population across a geographical area help determine the importance of transportation to provincial economies. According to recent estimates, the combined population of western Canada is sizeable, totalling over 9 million people.

However, projections call for only modest population growth in the West and in Canada over the next 20 years. Most of this growth will be concentrated in urban areas placing increased demand on urban transit systems and transportation infrastructure. As well, relatively sluggish population growth and low population density means that there is a very small tax base supporting a very large transportation system.


Demographic Statistics For Western Canada (2002)
Combined population of 9.4 million people
Combined population equals approximately 30% of Canada's population
Population is 79.6% urban and 20.4% rural
95% of current population growth occurs in urban areas
1% average annual population growth projected to 2026 (11.3 million people)

Population Densities of Selected Countries (Persons per km², 2001)



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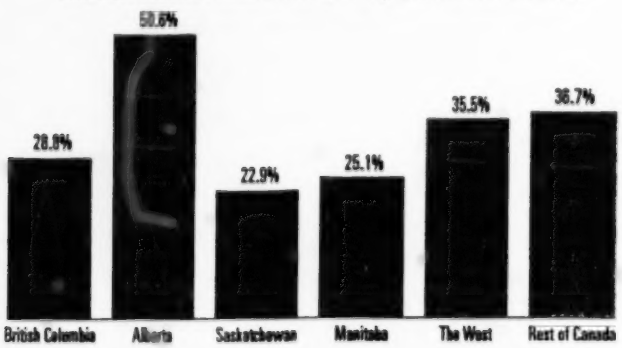

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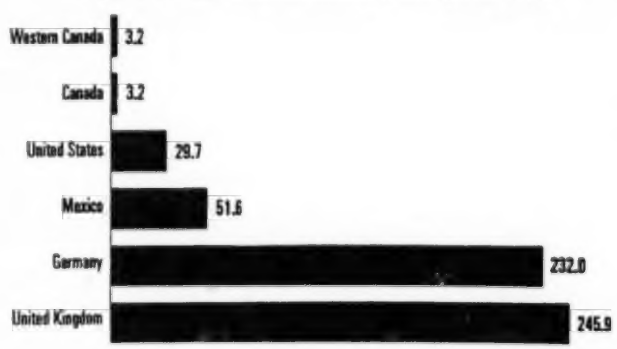
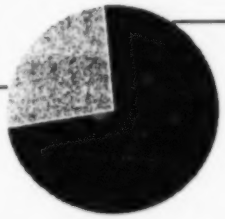


THE MOVEMENT OF GOODS

Demand for many commodities is on the rise, and in the years ahead there will be increased demands placed on the transportation system to move commodities intraprovincially, interprovincially and internationally. Commodities are moved via many different and quite often interlinked transport modes. The multimodal facet of moving goods from point A to point B reveals how changes in demand or supply can impact the entire transportation network. The transportation sector will also be affected by new growth and development in value-added industries, such as the malting industry, which has experienced 400% growth since 1985.

KEY GOODS BEING MOVED BY VARIOUS MODES

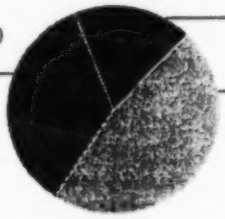
TRUCKING: Domestic and Transborder
(Based on billions of tonne-kilometres, 2000)



PRIMARY GOODS (26.0%)
- Forestry Products — 10.1%
- Petroleum Products — 3.7%
- Ores/Non-Metallic Minerals — 3.2%

MANUFACTURED GOODS (74.0%)
- Food — 10.1%
- Misc. End-Products — 17.3%
- Other Products — 11.2%
- Steel & Alloy Products — 11.0%
- Chemical Products — 5.8%
- Automotive Products — 6.1%
- Machinery & Equipment — 4.5%

RAIL: Freight Transportation
(Based on originated carloads by Commodity, 2001)

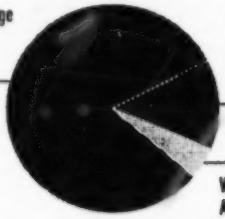


SECONDARY GOODS (34.9%)
- Fuels & Chemicals — 11.8%
- Metals — 6.9%
- Machinery & Automotive — 6.0%
- Paper Products — 6.6%
- Manufactured & Misc — 1.8%
- Food Products — 1.1%

INTERMODAL (18.0%)

PRIMARY GOODS (47.1%)
- Minerals — 13.8%
- Forestry Products — 11.0%
- Agriculture — 12.8%
- Coal — 9.7%

MARINE: Percentage of Total Port Tonnage
(Commodity Groups, Port of Vancouver, 2001)

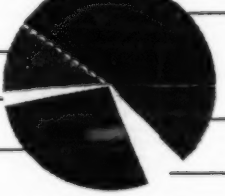


BULK CARGO (81.0%)
- Coal — 37.3%
- Grains — 15.4%
- Sulphur — 7.3%
- Potash — 4.0%
- All Other — 17.0%

CONTAINERIZED (14.0%)
- Wood Pulp — 1.7%
- Lumber — 1.5%
- Animal Feed — 1.1%
- Meat and Fish — 0.8%
- All Other — 8.9%

BREAK BULK CARGO (5.0%)
- Wood Pulp, Lumber, Rough Wood — 4.6%
- All Other — 0.4%

ENERGY: Consumption in Canada
(Primary Sources Consumed, 2000)



HYDRO ELECTRICITY (11.0%)

NUCLEAR ELECTRICITY (2.0%)

NATURAL GAS (28.0%)

CRUDE OIL (40.0%)

COAL (13.0%)

OTHER (6.0%)

AIR CARGO: Commodities Shipped
(The five types of commodities shipped by air)

As shown above, primary goods comprise the majority of commodities transported. Air cargo is the exception. Air cargo consists of both goods and paid passenger luggage. Generally, goods shipped by air are classified into five broad categories:

- Goods that have a high degree of obsolescence (e.g., computer equipment, electronics)
- Goods that are perishable (e.g., flowers, seafood)
- Goods that are extremely time-sensitive (e.g., newspapers)
- Goods that have a short-lived style cycle (e.g., apparel)
- Goods that are very valuable (e.g., pharmaceuticals, jewelry)

INCREASING DEMAND FOR VARIOUS MODES

- Over two-thirds of the value of goods moving to the US is carried by trucks. Since 1991, transborder truck movements have grown by about 9% a year.
- As trade with the US and Mexico grows, there are more demands on the transportation system. Between 1993 and 2000, Manitoba's US exports increased 179%. Two-thirds was transported by road. Alberta-US trade has grown more than 400% since 1993.
- The RoadRailer, a trailer that runs on rails and roadways, increases the potential of bimodal transportation. This technology is in use in western Canada.
- From 1992 to 2001 the railway industry's workload (measured in revenue tonne-kilometres) grew by 35%. In 2001, railways moved 291.3 million tonnes of freight.
- Rail's movement of coal to the US tripled in tonnage from 1999 to 2000, reaching almost 1.4 million tonnes in 2001. Forest products remained the largest contributor to export tonnage, averaging 36% of total exports in 2001.
- Since 1997, the fastest growing and largest commodity grouping moved by the railways is intermodal traffic.
- In terms of tonnage, the marine mode captured over 90% of the volume shipped between Canada and overseas countries. In 2000, Canadian ports handled 404.5 million tonnes of cargo.
- By 2020, container traffic demand at the Port of Vancouver is expected to increase 250%. Bulk cargo is expected to grow by 17% and break bulk cargo by 28%. If achieved, this growth could create 53,000 new jobs and an additional $3 billion annually in GDP. In 2002, the Port of Vancouver's container traffic alone generated an estimated $900 million in economic output.
- The National Energy Board (NEB) predicts that growth in total end use energy demand will average between 0.9% and 1.4% per year to 2025. By 2025, natural gas production is forecast to increase between 40% and 80%, and oil sands production is expected to increase by three to four times above current levels. By 2010, oil sands are predicted to account for more than 50% of western Canada's total oil production.
- The NEB predicts that total Canadian electricity demand will grow at an average annual rate of 1.2% to 1.6% between 1997 and 2025. To meet domestic demand and export opportunities, generating capacity must increase between 24% and 42%.
- The average annual growth rate of air cargo at all reporting Canadian airports was 4.4% between 1987 and 1999. In 2000, there were declines in domestic cargo movement.
- Transborder air cargo has experienced exceptionally strong growth since the removal of trade barriers in 1995 — over 10% every year between 1995 and 1999, and 7.4% in 2000. Increasing demand for air cargo is based on a number of factors including meeting the needs of instantaneous Internet purchases and new advances in just-in-time stock replenishing for retailers.

THE MOVEMENT OF PEOPLE

There are many different forms of transportation that move Canadians around in their daily lives, ranging from the conventional trains, planes and automobiles, to cruise ships, bicycles, motorized scooters, and ferries. Given that Canada is one of the most urbanized countries in the world, it is not surprising that there are increasing demands on the supporting transportation infrastructure for moving people, both within and outside of their communities.

	SOME CURRENT STATISTICS	INCREASING DEMAND
AUTOMOBILE USAGE	■ In general, Canadians are driving their cars more, and driving them over longer distances. ■ Between 1985 and 1997, passenger vehicle registrations increased by 21%. In 2000, there were an estimated 17.3 million motor vehicles in Canada. Of these, 32% were in western provinces.	■ The annual vehicle-kilometres driven on Manitoba highways increased more than 19% between 1985 and 1996, and are projected to increase a further 15% by 2005. ■ A 1998 needs study estimated that it would cost between $14.8 and $17.3 billion to correct deficiencies in the national highway system. Resurfacing, reconstruction, new construction, twinning and other upgrades in the West is estimated to cost between $6.7 and $7.2 billion.
BUS INDUSTRY	■ The Canadian bus industry is made up of approximately 1,000 operators who collectively move more than 1.5 billion passengers each year. ■ Urban transit operators make up only 7% of total bus operators, but they move 99% of the total passengers.	■ Between 1995 and 2000, bus industry revenues had an annual average growth rate of 3.5%. ■ The charter bus and tour services sector of the industry experienced the greatest total growth in revenues over that period, totalling about 8.2% annually.
CRUISE INDUSTRY	■ The cruise industry in Vancouver contributes over $508 million annually to the local economy.	■ The Port of Vancouver experienced its 19th consecutive year of growth in cruise trade in 2001, and predicts that the industry will experience an 80% increase in the number of passengers by 2020. ■ The Vancouver Port Authority argues that Seattle's cruise-ship growth is denying Vancouver $100 million annually in revenues. Seattle has gone from having zero sailings in 1998 to 80 sailings in 2002 — each one worth $1.2 million to the local economy.
AIR TRAFFIC	■ In 2000, the western provinces, including the North, accounted for 50.6% of all domestic air passenger traffic in Canada. ■ Between 1994 and 2000, air passenger traffic grew at an annual average rate of 5.6%.	■ Despite the September 11 terrorist attacks in 2001 and the downturn in air passenger traffic, it is expected that cancelled routes will be reinstated as the economic climate improves. Total Canadian airline passengers are forecast to increase from 86 million in 2000 to almost 128 million by 2015. ■ The following western airports showed significant growth in total air passenger volumes between 1990 and 2000: Edmonton at 92%, Calgary at 76%, Vancouver at 59% and Winnipeg at 22%.

A SPECIAL FOCUS: Urban Transportation

- Private vehicle traffic in Canada is expected to grow between 50% and 100% over the next 25 years – creating sustainability issues with existing infrastructure and demands for new infrastructure required for high traffic volumes. For example, over the last 20 years the number of trips made by automobile in Winnipeg has grown much faster than the rate of population growth.

- People who use motor vehicles are increasingly driving alone. Occupancy rates per light vehicle averaged approximately 1.68 persons per vehicle in 2000. According to a 1998 survey, 77% of commuters were alone – an increase of 8% over 12 years.

- Urban congestion affects the competitiveness of Canada's major cities by constraining the movement of goods and passengers within and through urban centres. For instance, in the Edmonton CMA the population is projected to reach 1.17 million by 2020 (a 26% increase since 2001) and as a result rush hour congestion is expected to triple by 2020.

- The number of passengers using urban transit has increased annually since 1996. In Vancouver, increasing pressure will be placed on urban transit development to accommodate a 35% anticipated rise in morning rush hour trips into downtown by 2021. Rapid transit ridership to downtown is anticipated to increase 143% after the completion of two new SkyTrain lines. Local transit ridership wholly within downtown is projected to increase by 85% during the morning rush over the next 20 years.

Mode of Transportation to Work (1996)

	Automobile	Public Transit	Walking	Other
Victoria	74%	10%	10%	6%
Vancouver	77%	14%	6%	3%
Calgary	80%	13%	5%	2%
Edmonton	84%	9%	5%	2%
Regina	87%	5%	6%	2%
Saskatoon	85%	5%	6%	3%
Winnipeg	77%	14%	6%	2%

Other includes bicycles, motorbikes, taxicabs and other means of transport.

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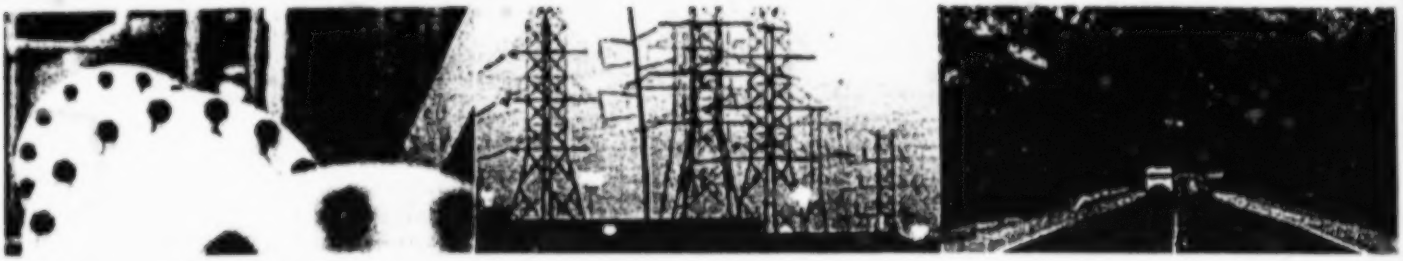

CONTRIBUTION TO THE ECONOMY

The relationships that exist between transportation and the economy are numerous, varied, and complex. This section highlights some of the ways that transportation industries affect western growth and prosperity.

Who's Involved

- Between 1996 and 2002 the number of people employed in transportation and warehousing industries grew in all the western provinces. Alberta experienced the most significant growth at 22% followed by British Columbia at 11%, Saskatchewan at 6% and Manitoba at 4%.

- In 2000, transportation and warehousing employed 6% of the West's total labour force or 274,500 people. The following examples illustrate the importance of transportation in western Canada's labour force:

The Port of Vancouver

- In 2000, the port generated over 62,000 jobs.
- In 2000, the port generated $1.3 billion in wages.
- In the same year, it generated $3.5 billion in economic output.
- The port produced $620 million in taxes to all governments.

The Petroleum Industry

- The petroleum industry is a $20 billion a year business that provides a livelihood to about 500,000 Canadians.

Truck Driving

- Canada's existing compliment of over 230,000 truck drivers makes up 2% of the labour force and has grown 13% since 1989.

Statistics on Western Canada's Transportation and Storage Industries

	Value of the Industry (Constant 1992 $)	Percentage of the Canadian Industry	Percentage of Total Provincial GDP
British Columbia	$5,567,400,000	15.9%	6.1%
Alberta	$5,910,100,000	16.9%	6.4%
Saskatchewan	$1,683,800,000	4.8%	7.0%
Manitoba	$1,717,600,000	4.9%	6.8%
Total West	$14,878,900,000	42.6%	6.4%
Canada	$34,924,000,000	100.0%	N/A

Canadian Merchandise Trade with the US
(By Mode of Transport, 1996)

Where's it Going?

Trade requires that commodities be moved within provinces (intraprovincial), between provinces (interprovincial), and between Canada and other countries (international). The importance of western Canada's international exports has increased dramatically since the 1980s.

- In real per capita terms, western Canada exported $7,168 more per person in 2000 than it did in 1981. This amounts to a real increase in the volume of international exports of $76 billion or 221%.

- In 2000, the West's international exports were equal to 36% of its GDP compared to only 19% in 1981.

- The West's exports to the United States have increased dramatically. The West sold 80% of its international exports to US customers in 2001 compared to 57% in 1990.

- International trade growth has impressively outpaced interprovincial trade growth. The West exported over $12,000 per westerner to other countries in 2000 compared to only $6,511 per westerner to other provinces.

- Intraprovincial trade accounts for 87% of all domestic trade in Canada, while interprovincial trade accounts for the remaining 13%. The value of a strong internal provincial transportation infrastructure is very clear.

Canada West Foundation

P.O. Box 6572 Station D Calgary, Alberta T2P 2E4
Tel: (403) 264-9535 Fax: (403) 269-4776
E-mail: cwf@cwf.ca Website: www.cwf.ca

This report was written by Canada West Foundation Senior Policy Analyst Susan McFarlane. Research assistance was provided by Lisa Fox, Erik Nilsen, and Carolyn Holbrow. The opinions expressed in this document are the author's only and are not necessarily held in full or in part by the Canada West Foundation's donors, subscribers, advisors, or Board.

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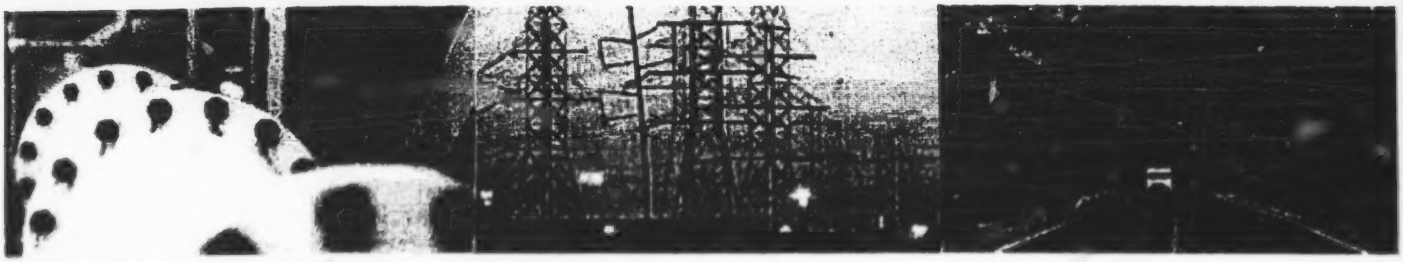

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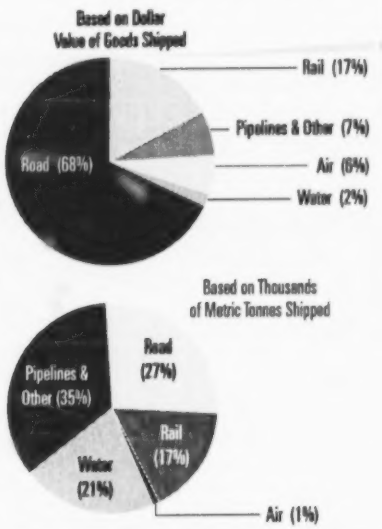
Truck Driving

- Canada's existing compliment of over 230,000 truck drivers makes up 2% of the labour force and has grown 13% since 1989.

Statistics on Western Canada's Transportation and Storage Industries

	Value of the Industry (Constant 1992 $)	Percentage of the Canadian Industry	Percentage of Total Provincial GDP
British Columbia	$5,567,400,000	15.9%	6.1%
Alberta	$5,910,100,000	16.9%	6.4%
Saskatchewan	$1,683,800,000	4.8%	7.0%
Manitoba	$1,717,600,000	4.9%	6.8%
Total West	$14,878,900,000	42.6%	6.4%
Canada	$34,924,000,000	100.0%	N/A

Canadian Merchandise Trade with the US (By Mode of Transport, 1996)



Where's it Going?

Trade requires that commodities be moved within provinces (intraprovincial), between provinces (interprovincial), and between Canada and other countries (international). The importance of western Canada's international exports has increased dramatically since the 1980s.

- In real per capita terms, western Canada exported $7,168 more per person in 2000 than it did in 1981. This amounts to a real increase in the volume of international exports of $76 billion or 221%.
- In 2000, the West's international exports were equal to 36% of its GDP compared to only 19% in 1981.
- The West's exports to the United States have increased dramatically. The West sold 80% of its international exports to US customers in 2001 compared to 57% in 1990.
- International trade growth has impressively outpaced interprovincial trade growth. The West exported over $12,000 per westerner to other countries in 2000 compared to only $6,511 per westerner to other provinces.
- Intraprovincial trade accounts for 87% of all domestic trade in Canada, while interprovincial trade accounts for the remaining 13%. The value of a strong internal provincial transportation infrastructure is very clear.

CanadaWest FOUNDATION

P.O. Box 6572 Station D Calgary, Alberta T2P 2E4
Tel: (403) 264-9535 Fax: (403) 269-4776
E-mail: cwf@cwf.ca Website: www.cwf.ca

This report was written by Canada West Foundation Senior Policy Analyst Susan McFarlane. Research assistance was provided by Lisa Fox, Erik Nilsen, and Carolyn Holbrow. The opinions expressed in this document are the author's only and are not necessarily held in full or in part by the Canada West Foundation's donors, subscribers, advisors, or Board.

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